



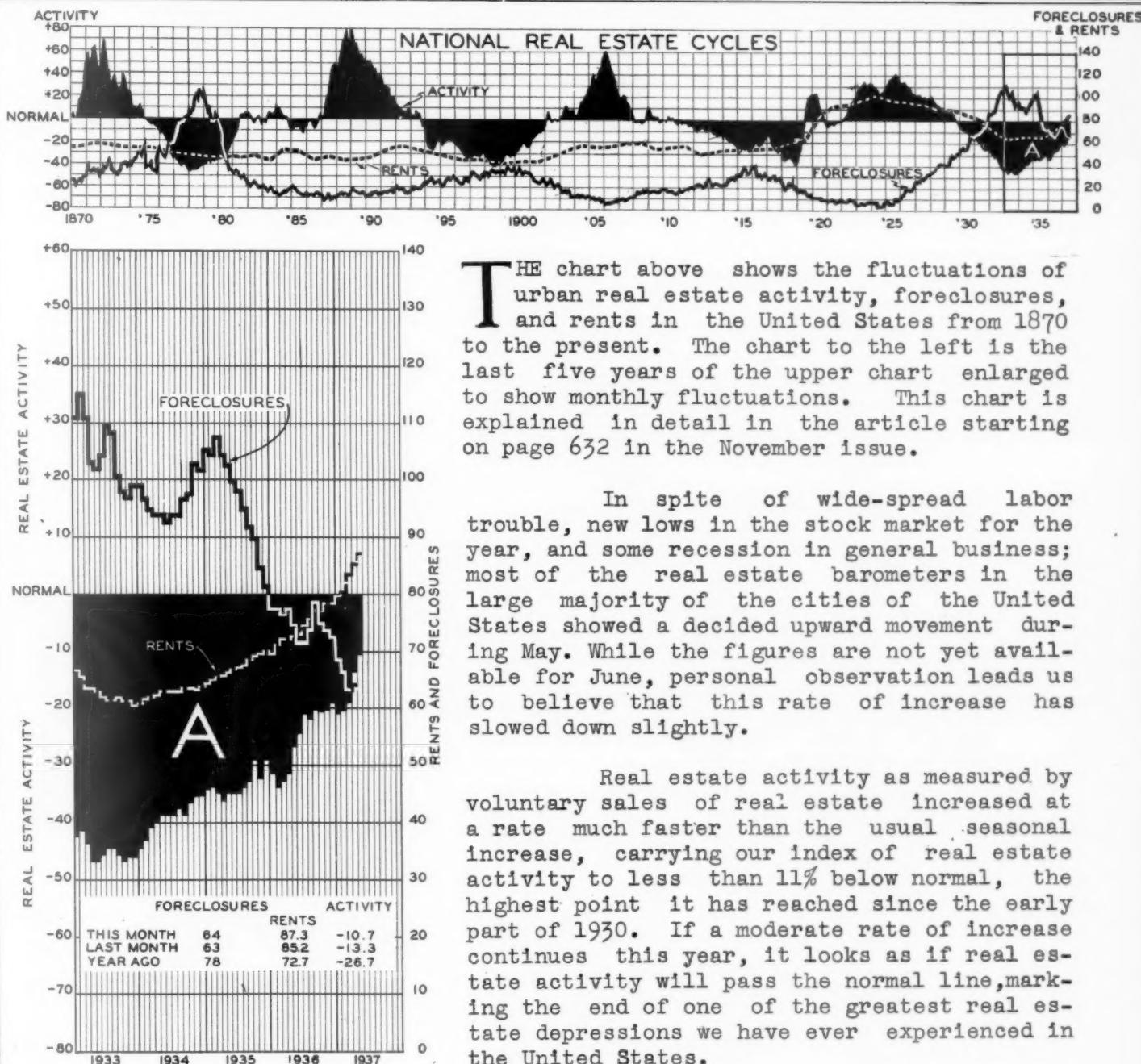
The Real Estate ANALYST

JUNE
1937

Roy Wenzlick
Editor

A concise easily digested monthly analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values...Current Studies...Surveys...Forecasts

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Real Estate Economists, Appraisers and Counselors



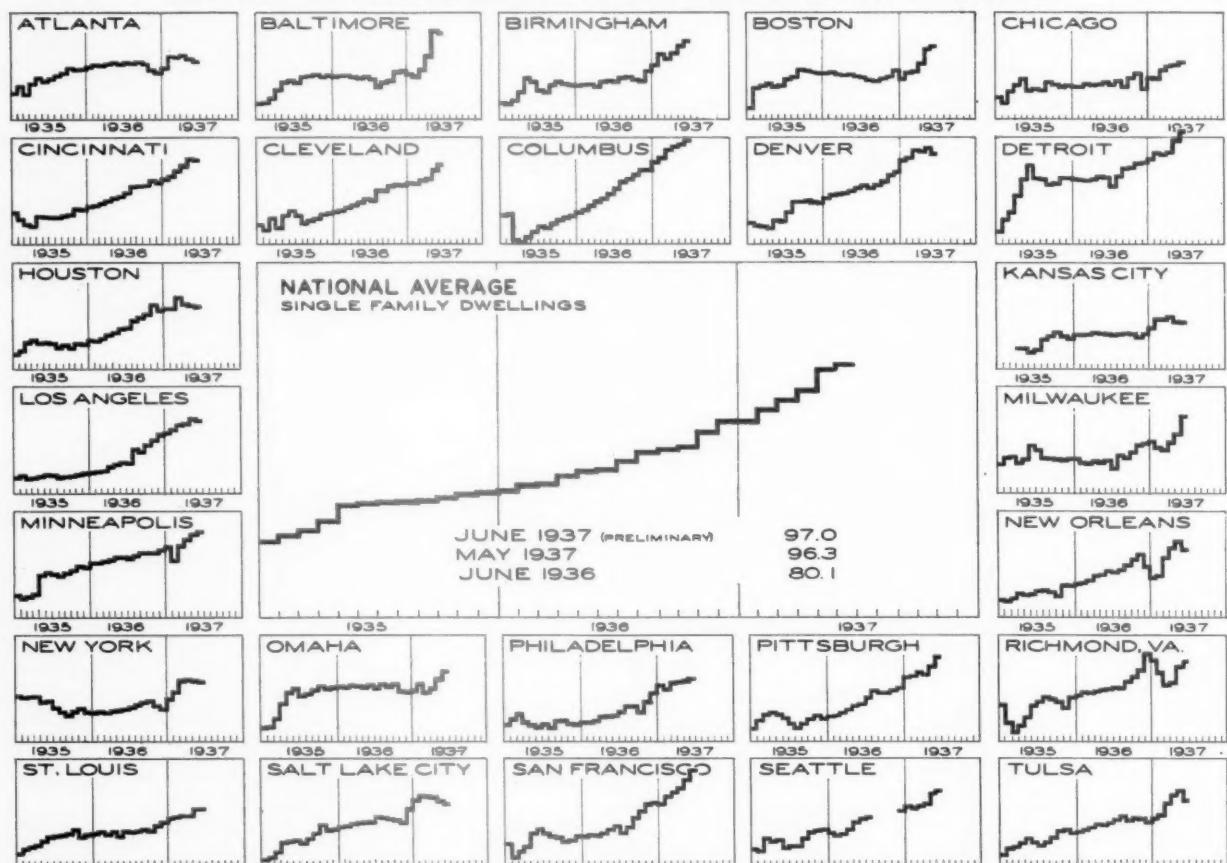
THE chart above shows the fluctuations of urban real estate activity, foreclosures, and rents in the United States from 1870 to the present. The chart to the left is the last five years of the upper chart enlarged to show monthly fluctuations. This chart is explained in detail in the article starting on page 632 in the November issue.

In spite of wide-spread labor trouble, new lows in the stock market for the year, and some recession in general business; most of the real estate barometers in the large majority of the cities of the United States showed a decided upward movement during May. While the figures are not yet available for June, personal observation leads us to believe that this rate of increase has slowed down slightly.

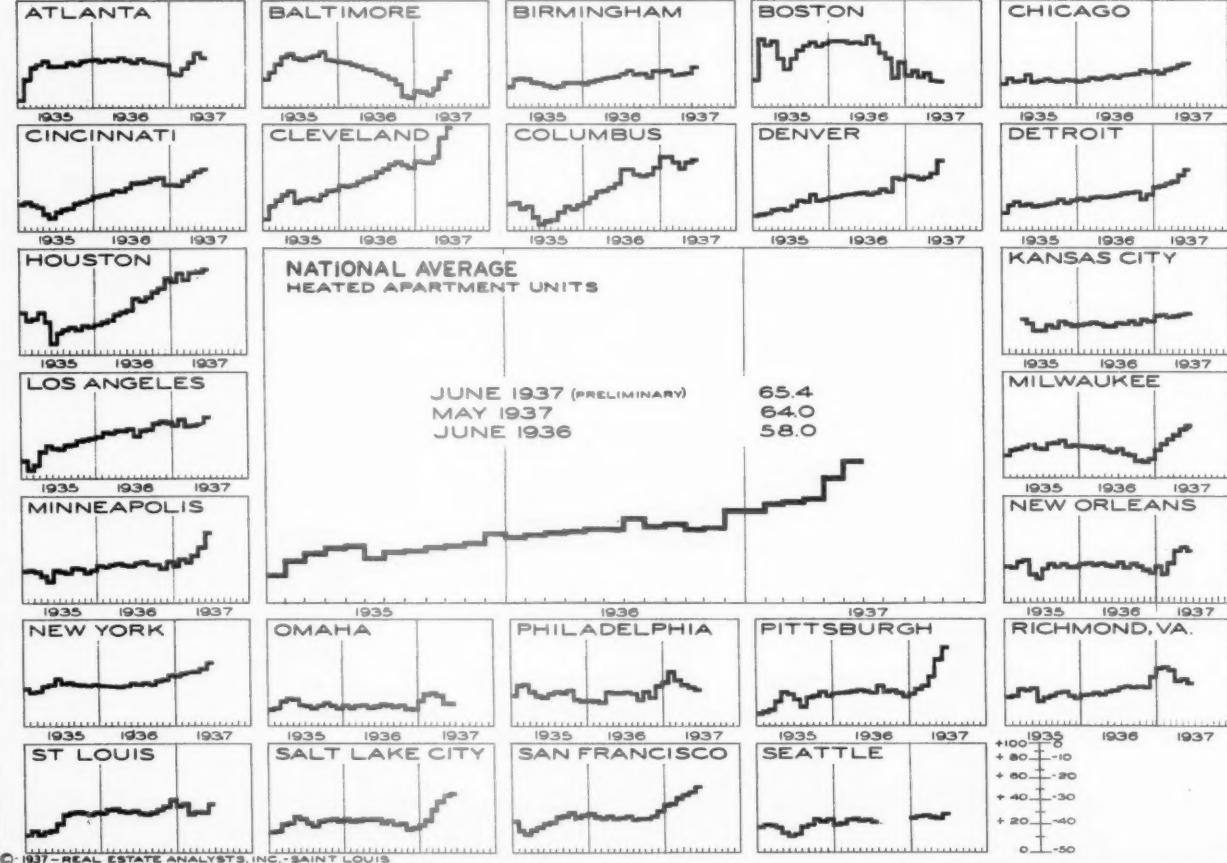
Real estate activity as measured by voluntary sales of real estate increased at a rate much faster than the usual seasonal increase, carrying our index of real estate activity to less than 11% below normal, the highest point it has reached since the early part of 1930. If a moderate rate of increase continues this year, it looks as if real estate activity will pass the normal line, marking the end of one of the greatest real estate depressions we have ever experienced in the United States.

figures on advertised rents are given and explained in detail on the following two pages. A large percentage of the advertisements appearing in the classified columns of the leading newspapers of the United States are quoting very much higher rents than they quoted on the same type of units a year ago.

AVERAGE ADVERTISED SINGLE FAMILY DWELLING RENTS 1935-1937



AVERAGE ADVERTISED APARTMENT RENTS 1935-1937



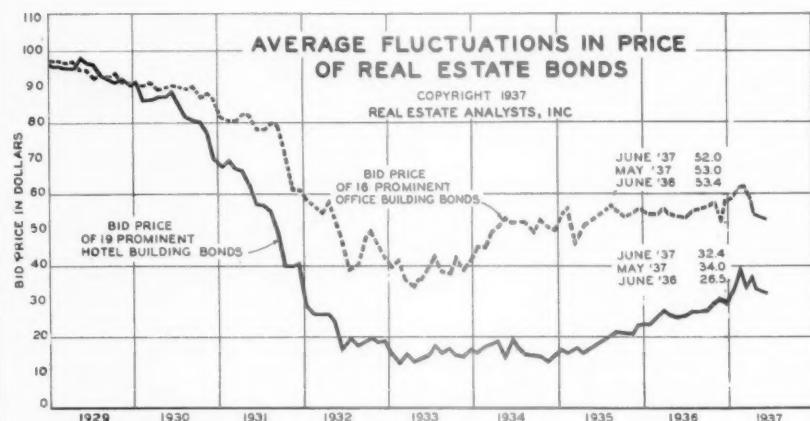
ADVERTISED RENTALS ON DWELLING UNITS

REAL Estate Analysts, Inc., computes the average advertised price of single family dwelling and heated apartment units each month in the twenty-six metropolitan areas listed below. The figures given are average rents per square foot for all units of each type, large and small, advertised in the classified columns of the leading newspapers of each city. The figures given below, unlike the figures which appeared in earlier issues of the Real Estate Analyst, have been adjusted for seasonal fluctuation, as we

have found some regular seasonal fluctuation in our advertised rental prices.

The average rent per month per room of all places advertised will vary considerably from month to month due to the inclusion some months of a larger number of either high or low priced units. The charts on the opposite page show these figures adjusted for seasonal fluctuation, city by city, with large composite charts showing the average fluctuations in principal cities. Advertised rents represent not what properties are actually renting for, but what the owners of the properties believe they will bring. After some adjustment in periods of depression for bargaining between the landlord and the tenant and for other concessions, we are convinced that these rents represent roughly the levels at which properties are being rented currently. The June figures are preliminary, based on the advertisements appearing during the first two weeks of the month.

Preliminary
Nomenclature



THE chart to the left shows the fluctuations in the bid prices of office and hotel bonds. The recession in general security prices has carried office building bonds to the lowest point in the last year and a half. Hotel bonds are still considerably above their prices of a year ago.

CONSTRUCTION WAGES AT THE BOTTOM OF THE DEPRESSION AND TODAY

CONSTRUCTION costs reached their lowest levels in 1933. This was true of both materials and labor. Both materials and labor have advanced markedly from that time.

To show the changes that have taken place, we are printing on the table to the right the wages actually paid by speculative builders on small house construction in 1933. This material was accumulated at the request of the NRA in an effort to arrive at wage scales for various parts of the country and for various types of construction labor. The figures for each city were secured at that time from leading home builders on a signed questionnaire.

One difficulty we have found with most studies of the fluctuations in building costs over a period of years made by other statistical organizations is that they have assumed that the union wage scale was actually paid. In many cities small homes have never been built by union labor and even in those cities where, as a rule, union labor is employed on this type of building, the matter of wages generally becomes a matter of confidential negotiation between the contractor and the laborers he employs. We believe our readers will find it interesting to compare the wage scales in this table with the amounts they are paying today.

We have available a supply of the three-color charts suitable for framing which appeared as the center spread in the May, 1937 Real Estate Analyst. This chart showed the comparison of the fluctuations in the real estate cycle from 1795 to the present with the fluctuations in general business. Separate lines showed the fluctuations in new building, mortgage interest rates, the foreclosure rate, building material prices, general commodity prices and residential rents. As long as our supply lasts, a copy will be mailed to any subscriber requesting it.

**WAGES ACTUALLY PAID ON SMALL RESIDENTIAL CONSTRUCTION
AT THE BOTTOM OF THE DEPRESSION IN 1933**

	Brick Mason	Stone Mason	Carpenter	Painter	Plumber	Electrician	Paper Hanger	Unskilled Labor	Semi-skilled Labor
Amarillo, Texas	.42 $\frac{1}{2}$	.42 $\frac{1}{2}$	.42 $\frac{1}{2}$	.42$\frac{1}{2}$	.42$\frac{1}{2}$	.42$\frac{1}{2}$	.42$\frac{1}{2}$	.22	.31
Atlanta, Ga.	.45	.45	.35	.55	.40	.55	.50	.25	.25
Baltimore, Md.	.50	.50	.50	.50	.75	.75	.50	.25	.25
Birmingham, Ala.	.60	.60	.40	.35	1.00	.60	.75	.22 $\frac{1}{2}$	.22 $\frac{1}{2}$
Boston, Mass.	.65	.65	.45	.45	.90	.75	.90	.50	.55
Chicago, Ill.	.75	.62 $\frac{1}{2}$	.50	.60	.75	.75	.65	.37 $\frac{1}{2}$	.45
Cincinnati, Ohio	.70	.70	.55	.50	.87 $\frac{1}{2}$	.50	.50	.35	.35
Columbus, Ohio	.60	.60	.50	.40	.50	.45	.40	.25	.25
Dallas, Texas	.50	.50	.50	.40	.75	.87 $\frac{1}{2}$	.40	.22 $\frac{1}{2}$	.25
Denver, Colo.	.60	--	.50	.50	--	.40	--	.40	.40
Des Moines, Ia.	.75	.75	.75	.50	.75	.75	1.00	.50	.40
Detroit, Mich.	.50	.50	.40	.50	.45	.50	.35	.20	.25
Erie, Pa.	.60	.60	.50	.50	.50	.50	.40	.30	.35
Flint, Mich.	.70	.70	.37 $\frac{1}{2}$	.40	.50	.45	.50	.20	.25
Fort Worth, Texas	.37 $\frac{1}{2}$	.37 $\frac{1}{2}$	.31 $\frac{1}{4}$	.31 $\frac{1}{4}$	.50	.50	.50	.22 $\frac{1}{2}$	--
Hartford, Conn.	.62 $\frac{1}{2}$	.62 $\frac{1}{2}$	.55	.57 $\frac{1}{2}$	.75	.62 $\frac{1}{2}$	.55	.30	.40
Houston, Texas	.60	.60	.50	.50	.75	.75	.50	.25	.35
Hutchinson, Kan.	.50	.50	.40	.40	.75	.62 $\frac{1}{2}$	--	.50	.35
Indianapolis, Ind.	.60	.60	.45	.45	--	.50	--	.25	.25
Kansas City, Mo.	.60	.50	.50	.50	.60	.45	.50	.30	.35
Long Beach, Calif.	.75	.75	.75	.75	.75	.75	.75	.50	--
Los Angeles, Calif.	.56 $\frac{1}{2}$	.75	.55 $\frac{1}{4}$	.66	.88	.42	.62 $\frac{1}{2}$	.34 $\frac{1}{4}$	.35
Memphis, Tenn.	.82 $\frac{1}{2}$	.82 $\frac{1}{2}$	.50	.50	1.12 $\frac{1}{2}$	.82 $\frac{1}{2}$	.75	.17 $\frac{1}{2}$	.30
Minneapolis, Minn.	.60	--	.55	.50	.75	.50	.50	.25	.30
Newark, N. J.	.75	--	.62 $\frac{1}{2}$	.62 $\frac{1}{2}$	.75	.75	.62 $\frac{1}{2}$	.35	.47 $\frac{1}{2}$
New Orleans, La.	.60	.60	.85	1.00	.60	.60	.60	.25	.22 $\frac{1}{2}$
New York City	.40	.35	.32 $\frac{1}{2}$	.35	.40	.40	.50	.30	.30
Oakland, Calif.	.75	.75	.62 $\frac{1}{2}$	.39	.75	.62 $\frac{1}{2}$	.62 $\frac{1}{2}$	.29	.56
Omaha, Nebr.	.67 $\frac{1}{2}$	--	.60	.55	--	.67 $\frac{1}{2}$	1.00	.50	.42 $\frac{1}{2}$
Orlando, Fla.	.60	.60	.85	.45	.50	.40	.40	.30	.37 $\frac{1}{2}$
Philadelphia, Pa.	.50	.50	.40	.60	.75	.65	.60	.25	.40
Phoenix, Ariz.	1.00	.65	.60	.60	.75	.55	.55	.30	.40
Pittsburgh, Pa.	.55	.55	.55	.55	.55	.55	.45	.35	.45
Portland, Oreg.	.60	.60	.60	.75	.75	.55	.50	.30	.40
Providence, R. I.	.62 $\frac{1}{2}$	.62 $\frac{1}{2}$	.62 $\frac{1}{2}$	.62 $\frac{1}{2}$	.87 $\frac{1}{2}$	.87 $\frac{1}{2}$	.62 $\frac{1}{2}$	.35	.45
Ridgewood, N. J.	--	--	.60	.60	.81 $\frac{1}{4}$	.75	--	.37 $\frac{1}{2}$	--
St. Louis, Mo.	.45	.50	.37 $\frac{1}{2}$	.40	.75	.45	.75	.25	.32 $\frac{1}{2}$
Salt Lake City, Utah	.75	.55	.50	.52 $\frac{1}{2}$	1.20	.60	.55	.25	.45
San Antonio, Texas	.40	.35	.37 $\frac{1}{2}$	.37 $\frac{1}{2}$	.75	.60	.37 $\frac{1}{2}$	.16	.25
Savannah, Ga.	.50	.50	.40	.67 $\frac{1}{2}$	.67 $\frac{1}{2}$	.50	.67 $\frac{1}{2}$	.50	.25
Seattle, Wash.	.75	--	.62 $\frac{1}{2}$	.67 $\frac{1}{2}$	.80-.90	1.00	.75	.37 $\frac{1}{2}$	--
South Bend, Ind.	.75	--	.50	.45	.87 $\frac{1}{2}$	.75	.77 $\frac{1}{2}$	.25	.35
South Orange, N. J.	.75 $\frac{1}{2}$	.75	.60	.50	.75	.62 $\frac{1}{2}$	.62 $\frac{1}{2}$	.30	.40
Topeka, Kan.	.62 $\frac{1}{2}$	.62 $\frac{1}{2}$	.57 $\frac{1}{2}$	.45	.87 $\frac{1}{2}$	.62 $\frac{1}{2}$	.62 $\frac{1}{2}$	.50	.40
Washington, D. C.	.50	.50	.50	.50	.62 $\frac{1}{2}$	.62 $\frac{1}{2}$	.62 $\frac{1}{2}$	.50	.40
Wichita, Kan.	.75	.75	.50	.50	.75	1.00	.27 $\frac{1}{2}$	.40	.40

REAL ESTATE VERSUS LISTED SECURITIES AS AN INVESTMENT FOR SAFETY, APPRECIATION AND INCOME

WE have often had requests from our clients for charts which would compare the real estate cycle with the security market. In the chart to the right we have endeavored to show a comparison of the real estate cycle, the business cycle, the fluctuations in security prices and the average yield on all dividend paying stocks.

The indexes of security prices used on this chart are the Dow Jones Averages. The index showing the average yield on all dividend paying stocks was worked out by Colonel Leonard P. Ayres of the Cleveland Trust Company. It is based on all stocks listed on the New York Stock Exchange which were traded in with sufficient frequency to afford regular quotations and which paid dividends for at least two successive years.

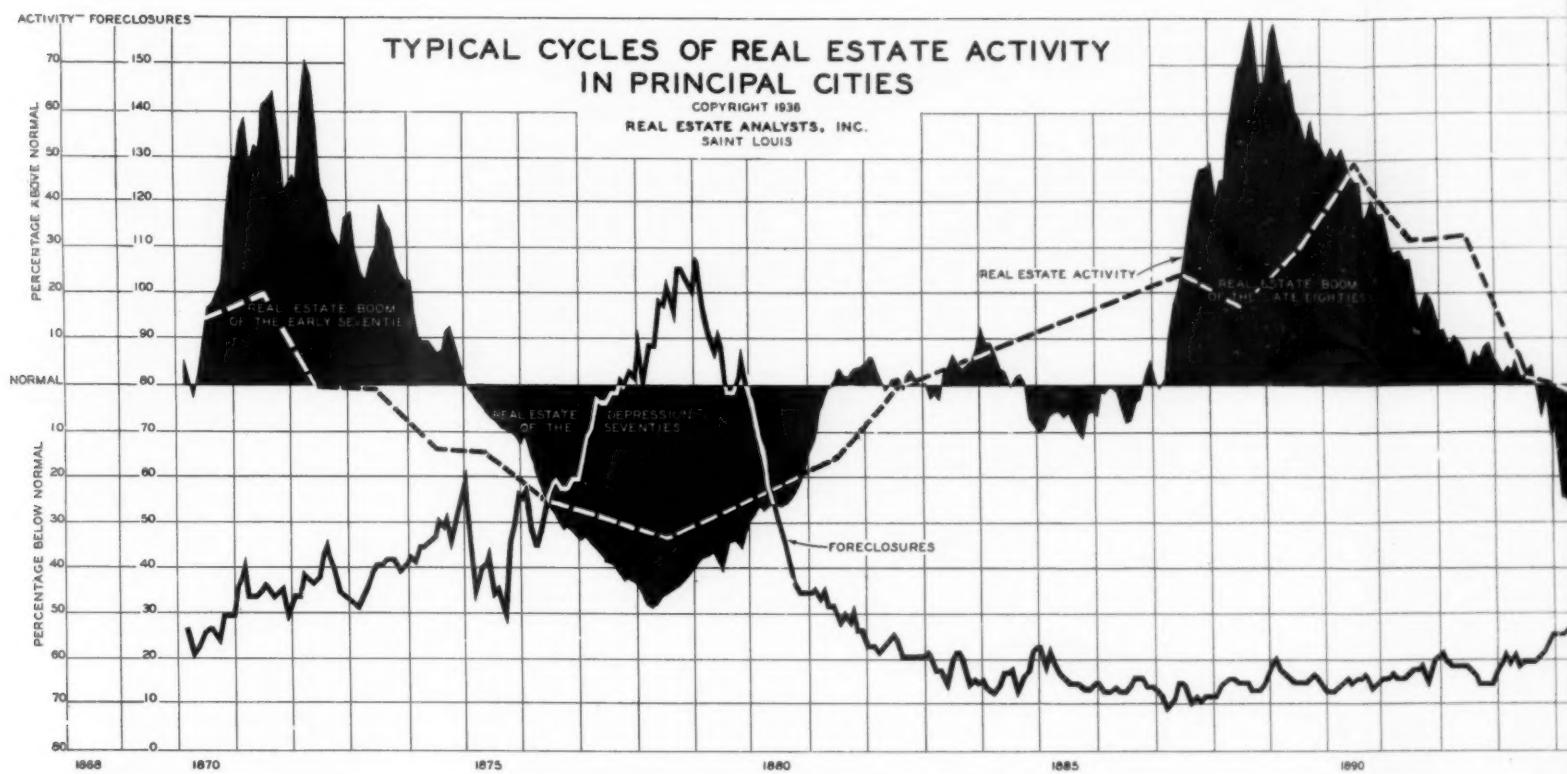
At first glance, the most striking fact in the comparison of these security lines with the real estate cycles is the apparent lack of relationship. Neither stock prices nor stock yields have shown any consistent attempt to fluctuate with the real estate cycle. The peak in the early nineteen hundreds in stock prices corresponded roughly with the real estate boom at that time, but we can see very little other definite relationship. Certainly the peak of the last boom in the stock market came long after the peak had been passed in real estate. The lows of 1932 preceded by at least a year, and in some communities two years or more, the bottom of the real estate depression.

The primary problem, however, which confronts investors is a comparison of the risks and possibilities for appreciation and income in various types of investments.

It will be seen that in 1932 stock prices dropped to a point where for a single month it was possible to secure an average return of 14.88%. This opportunity quickly passed, however, for in the following month prices had risen again to the point where the average return had dropped to 8.25%. At the present time the average yield is about 4.8% on common stocks. Twenty high-grade industrial preferred stocks at the present time are paying an average yield of 5.16%. This yield in 1932 for a single month was 8.4%. Bonds vary widely in yields. At the present time fifteen high-grade industrials can be bought to yield to maturity 4.55%. Fifteen first-class railroad bonds will average 4.66% and fifteen public utilities 4.22%. The yield on municipal bonds is still lower, averaging 2.82%, and the yields on Government issues vary down to the point where they are almost microscopic.

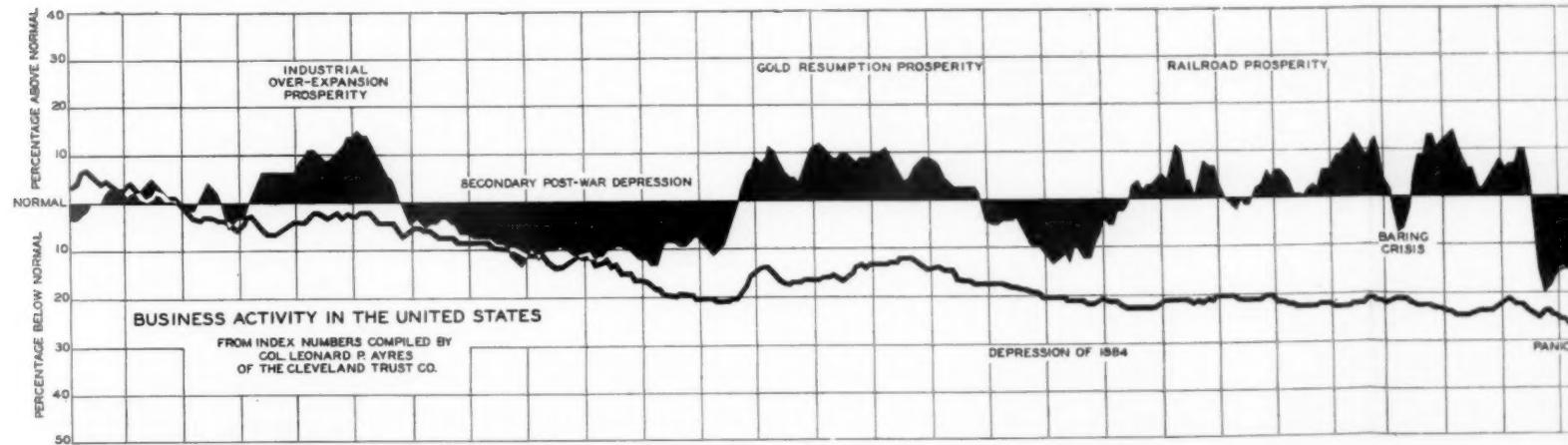
The average individual who has not had extensive experience in securities is not satisfied with these yields. He believes when he enters the market that he can make a large return on his investments, not through dividend payments but through the appreciation in stock prices. If this individual succeeds in securing a better than average return on his capital, it is generally due to luck rather than to foresight and shrewdness.

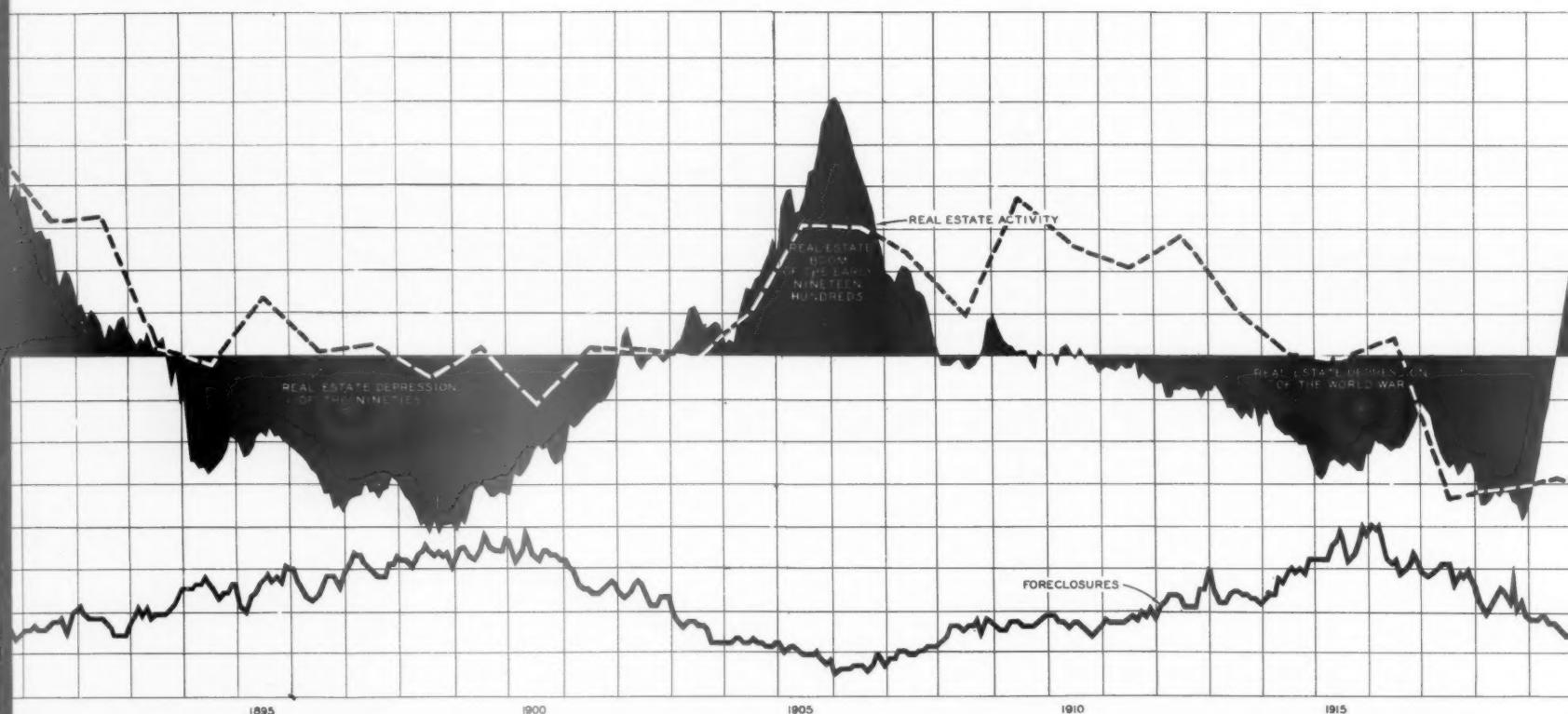
We believe that two factors make real estate an unusually attractive investment in relation to the investment possibilities in securities. The first of these is that the stock market has already had its safest advance, for the value of all shares traded on the New York Stock



Exchange about the middle of 1932 was slightly less than 18 billion dollars. Last month the total market value of all shares was practically 58 billion dollars, an increase of more than three times the depression low. Real estate has not yet had this increase in price, as the values of real properties always lag recoveries from major depressions, while stock market prices seem to lead the procession. Real estate prices are now rising and will continue to rise, we believe, for the next six or seven years. During this time the stock market may have several more or less serious recessions.

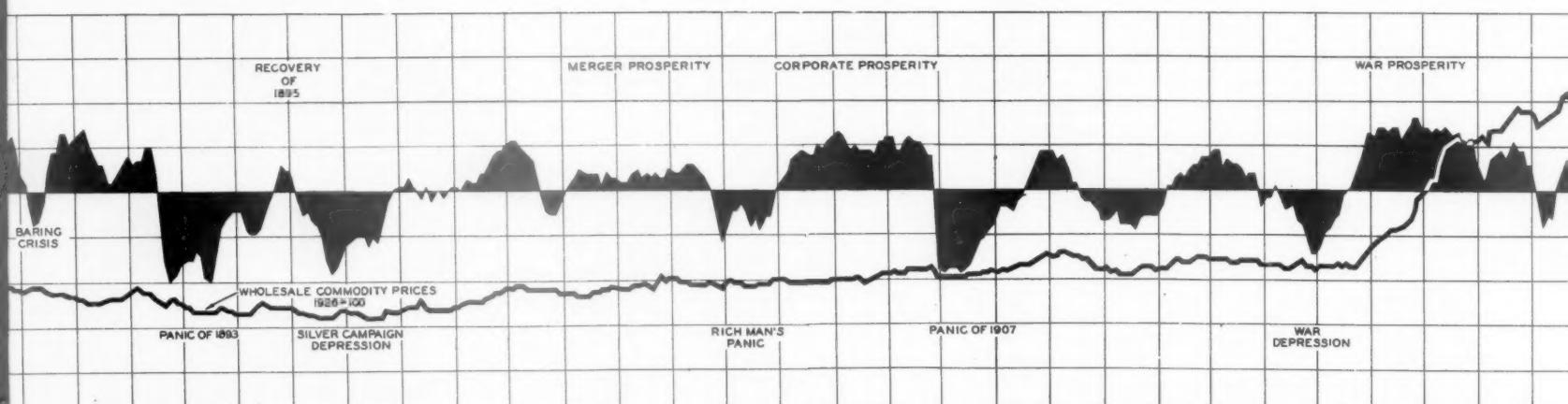
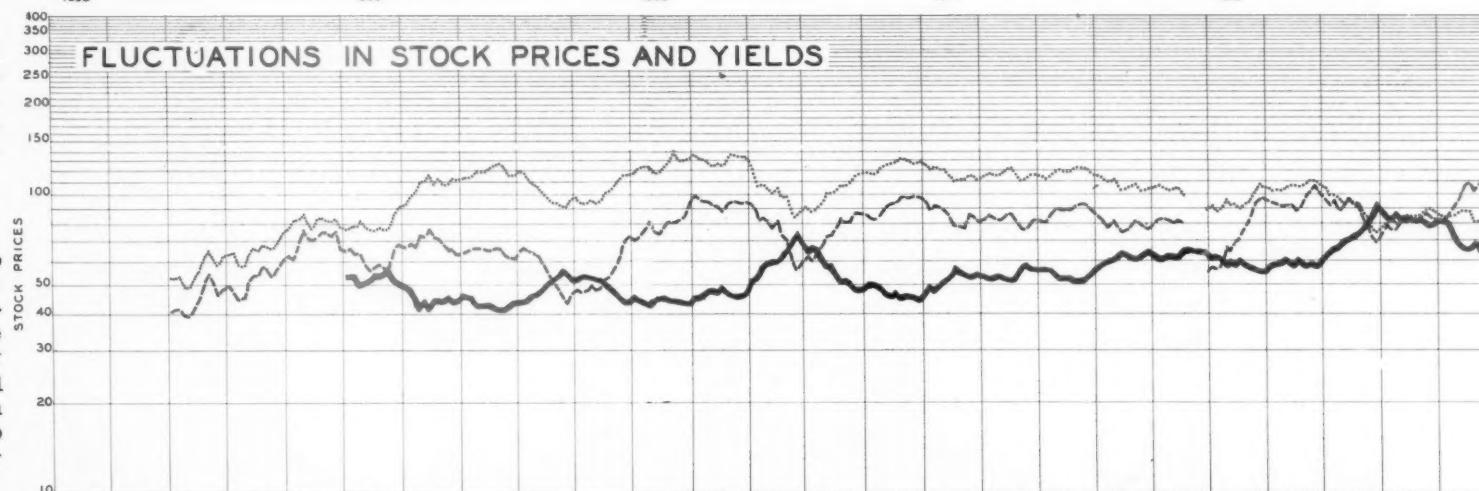
The second advantage we think real estate offers in a period like the present is the ability to buy real estate safely with a smaller percentage of equity than could possibly be safe on securities. Real estate values move slowly. A persistent rumor that the Government may have to change its gold policy has relatively little effect on rents and values, although it may be responsible for a very sizable drop in securities. If the rumor should become a reality, security prices would certainly be immediately and greatly affected. Real estate has not yet advanced to the point where it is over-valued and it would not, therefore, decline but would probably merely halt for a while in its upward price adjustment. On many types of property at the present time the Government considers a 20% equity safe and is willing to insure it. On the other hand, only a fool or a gambler would think of speculating on today's security market with a 20% equity.

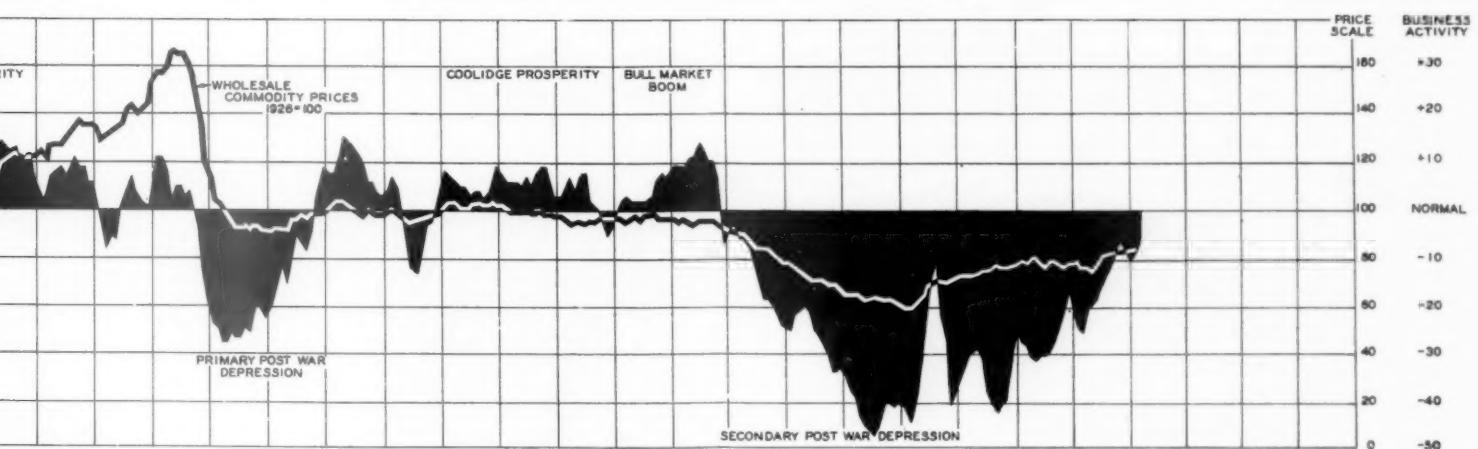
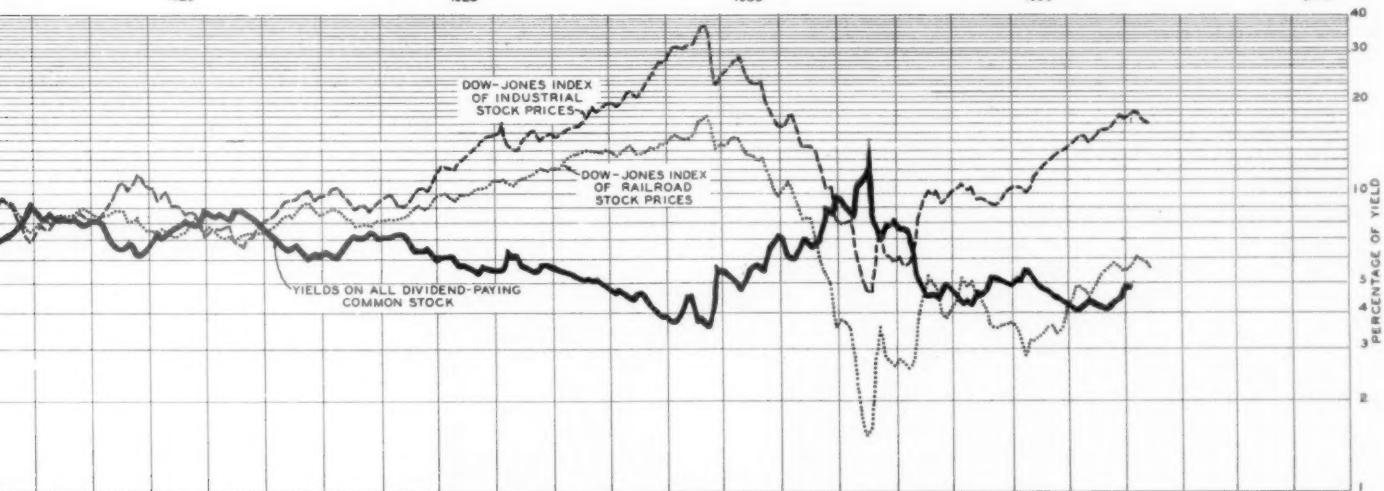
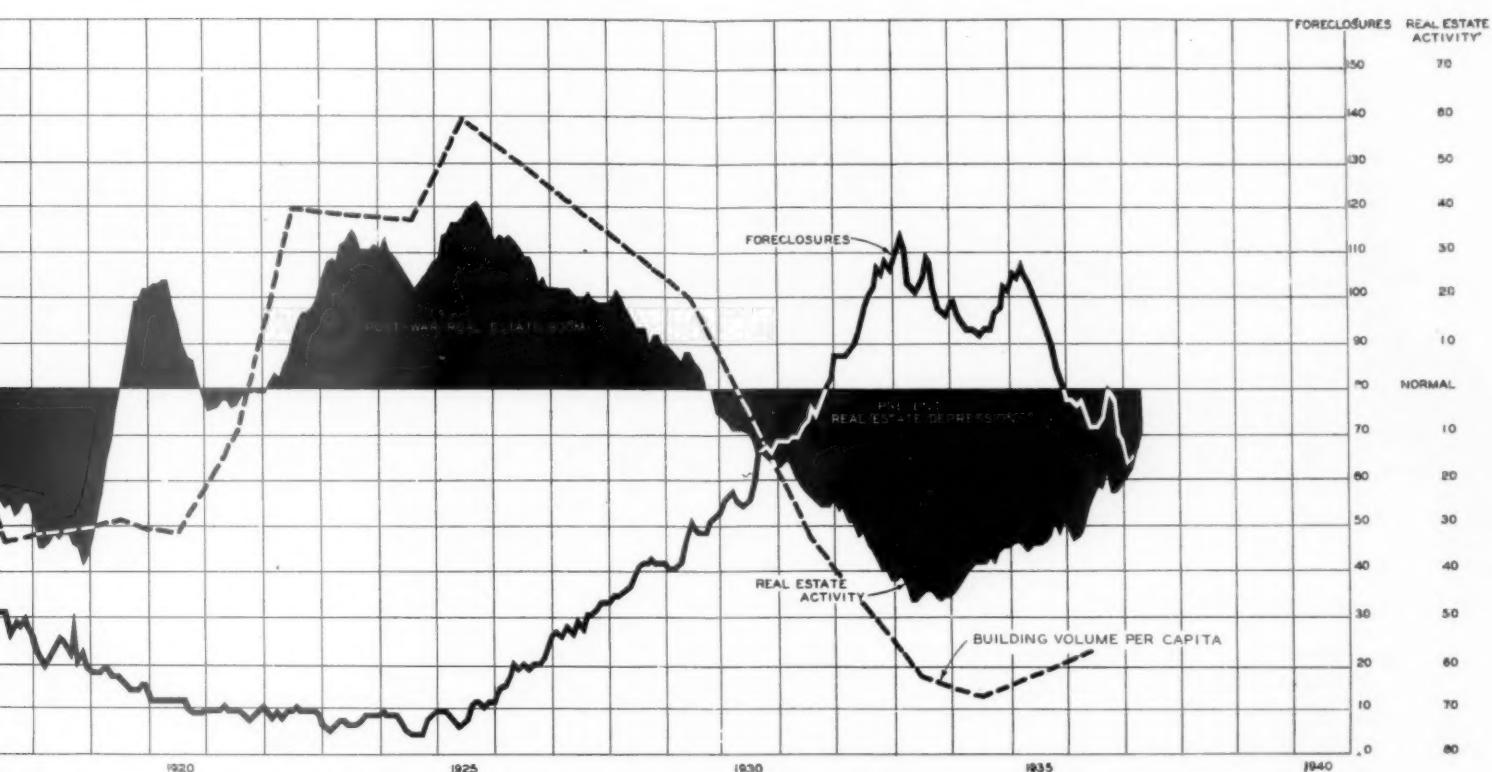




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he ability to securities. its gold pol- very sizable e immediately and it would justment. On is willing to y's security





LIFE INSURANCE COMPANIES AS MORTGAGEES

IN the charts on page 749 and the table on page 750 we show the experience of the hundred and ten largest life insurance companies in the United States as mortgage lending institutions from 1912 to the present. On this table we show each year the total amount invested in mortgage loans, the percentage this formed of the total physical assets of the hundred and ten companies, the interest rate earned on the mortgage portfolios, the amount of real estate owned, the percentage it formed of the total physical assets and the average rate earned on this real estate.

A significant factor which this table and charts reveal is the rapid shrinkage in the mortgage portfolio of these companies. In 1931 the total investments in mortgages amounted to 7.4 billion, in comparison with 4.9 billion for 1936, a drop of about one-third in five years time. This drop becomes more significant when it is realized that in the same period the total assets of these companies increased from 19.5 billion to more than 24 billion, an increase of almost 24%. Does this mean that life insurance companies are no longer sold on real estate mortgages as investments for their assets?

We believe that any study of the mortgage portfolios of life insurance companies during recent years should also take into consideration the amount of real estate owned, as during the past few years many investments have been transferred, due to foreclosures, from the mortgage account to the real estate owned account. Part of the drop in mortgage volume, as shown by the tall chart on the page opposite, is due to the fact that during the last few years the real estate owned account has grown by almost a billion and a half dollars. However, even with this adjustment for real estate taken over, the combined volume has been dropping at the same time that the total physical assets of these companies has been increasing.

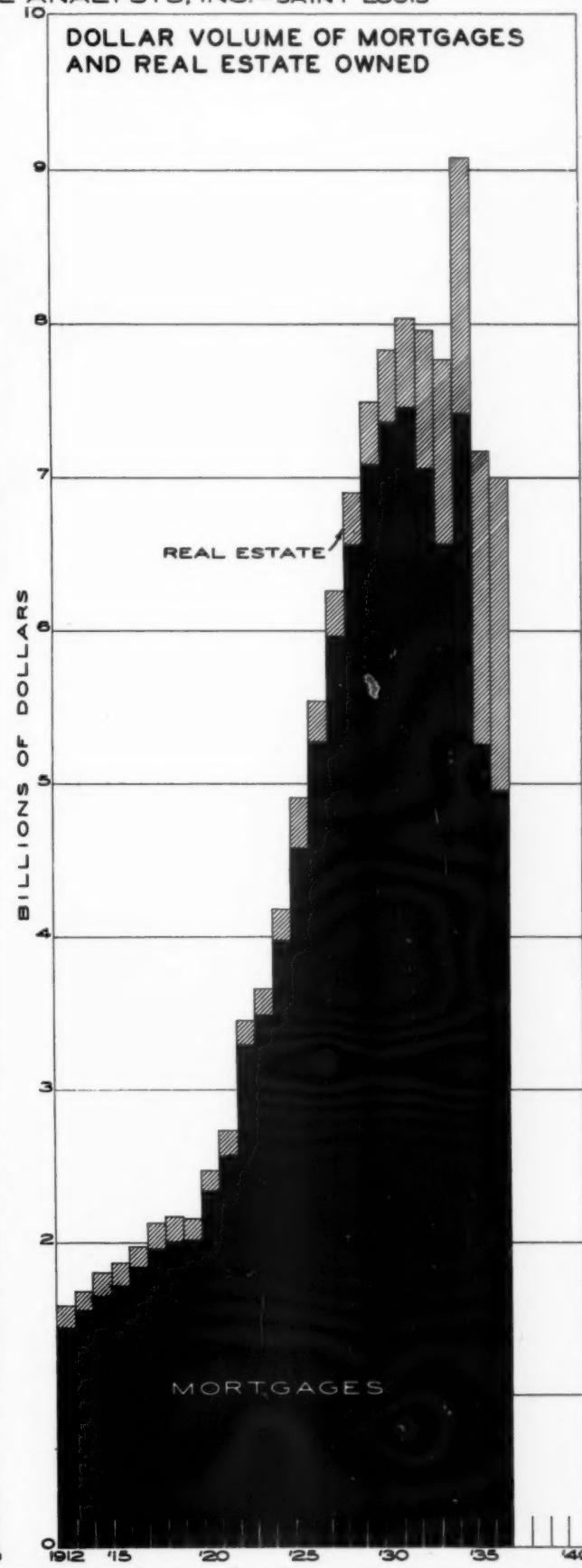
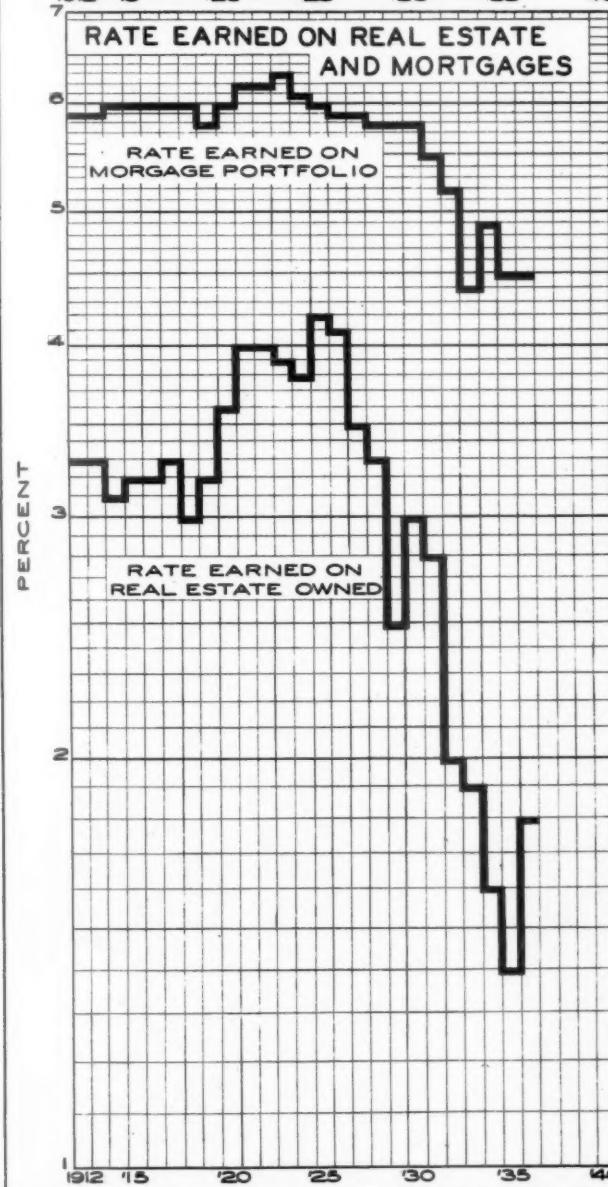
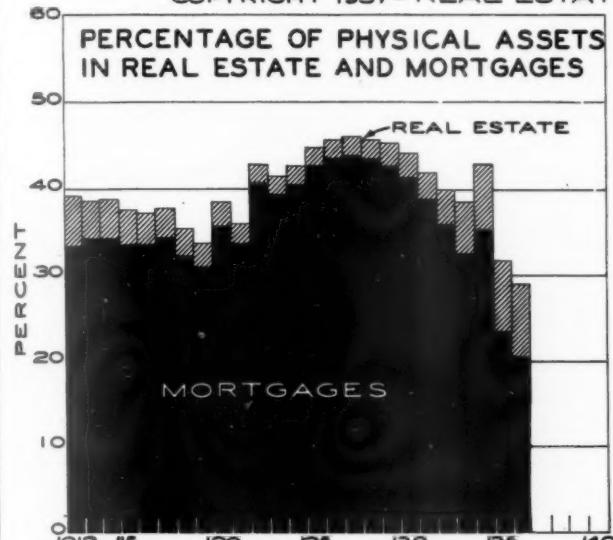
We believe this condition is due primarily to the lack of any great volume of new construction which ordinarily furnishes an outlet for desirable mortgage lending, and to the fact that in a period when foreclosures have been high there has naturally been a tendency to scrutinize quite carefully mortgages on existing property where heavy vacancies, high taxes and low rentals often look quite discouraging. From the chart on the page opposite which shows the rate earned on real estate mortgages, it will be noticed that in 1922 and 1923, years of rapidly increasing values in real estate, the mortgage portfolios earned these companies 6.2%. On the other hand, in 1933 earnings reached a low of 4.4%. They have recovered slightly from this low position.

The rate earned on real estate owned by life insurance companies is always necessarily low. The property taken over by any mortgagee is almost always problem property in a run-down condition. If it had not been an insoluble problem from the standpoint of the owner, he would have found some way of salvaging his equity. It will be noticed that the lowest rate on real estate owned was earned in 1934, and that 1936 showed some improvement.

In an effort to study the probable trends in the future, information has been secured from a number of the larger life insurance com-
(Continued on Page 750)

LIFE INSURANCE COMPANIES AS MORTGAGEES
 BASED ON THE RECORDS OF THE 110 LARGEST COMPANIES IN THE UNITED STATES

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(Continued from Page 748)

panies over a much longer period. We now have records of some of these companies for a period of seventy-five years or more. We find that real estate has been taken over by the life insurance companies in each major depression, that it takes a period of years to liquidate this real estate again, and that in each of these past depressions the real estate taken over has shown a rather poor earning record. From these studies we are inclined to believe that the insurance companies will slowly liquidate their properties until the middle forties. During this period we believe that real estate loans will again come into greater favor as investments and that the size of the mortgage portfolios will expand.

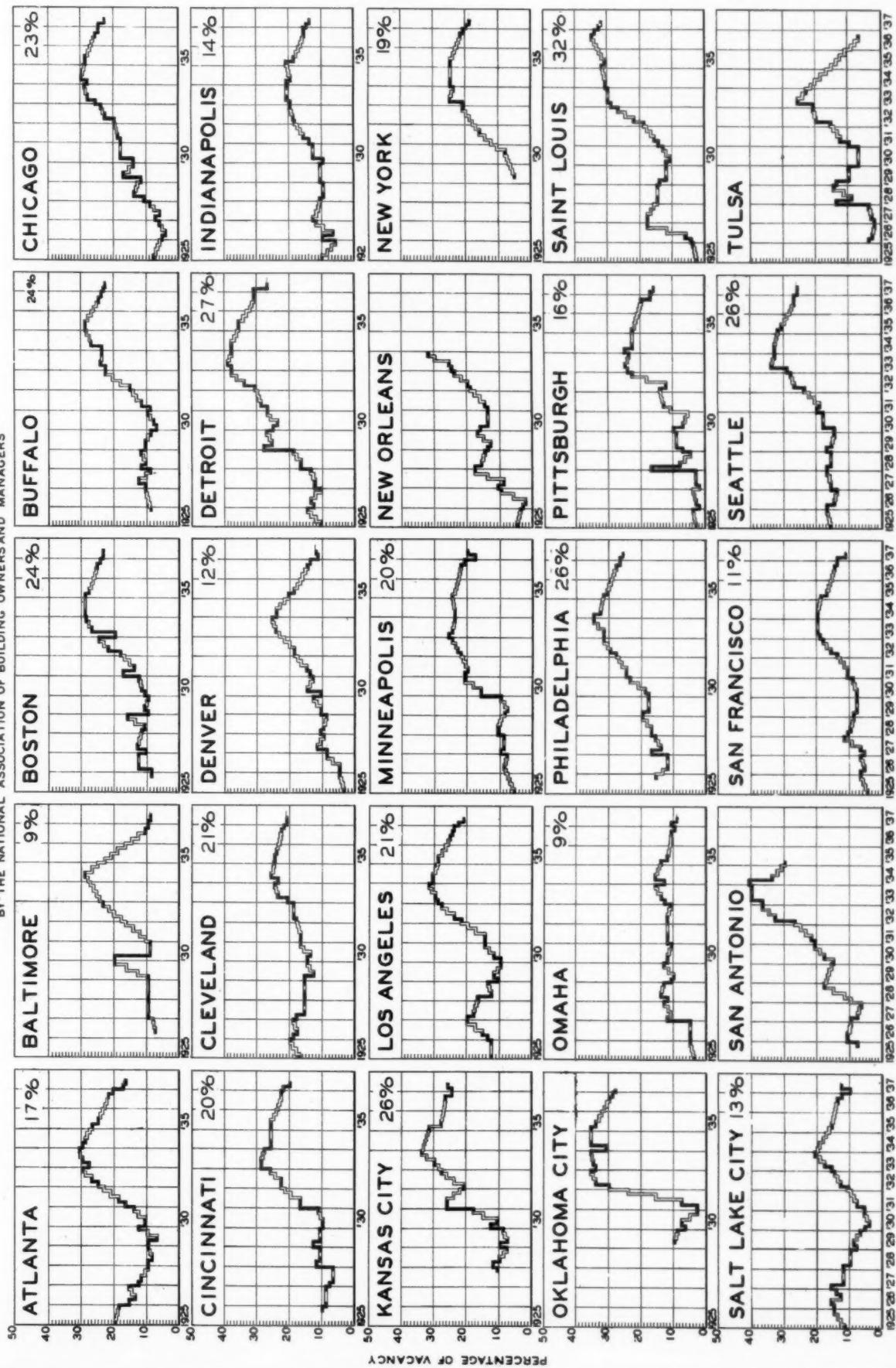
REAL ESTATE AND MORTGAGES HELD BY THE 110 LARGEST LIFE INSURANCE COMPANIES IN THE UNITED STATES

Year	REAL ESTATE MORTGAGES			REAL ESTATE OWNED		
	Amount*	% Assets	Rate Earned	Amount*	% Assets	Rate Earned
1912	\$1,428,408	33.2	5.7	\$160,546	5.9	3.6
1913	1,554,163	34.2	5.7	136,780	4.4	2.9
1914	1,645,283	34.2	5.9	153,536	4.5	3.1
1915	1,716,342	33.6	5.8	154,297	3.8	3.1
1916	1,823,658	33.6	5.9	154,762	3.5	3.2
1917	1,951,504	34.2	5.9	168,191	3.5	3.1
1918	2,000,864	32.2	5.9	167,979	3.1	2.6
1919	2,009,362	31.0	5.8	153,346	2.7	3.0
1920	2,332,439	35.5	6.0	153,255	2.7	3.6
1921	2,573,821	33.5	6.1	162,582	2.4	3.9
1922	3,297,285	40.6	6.2	167,996	2.2	4.1
1923	3,482,881	39.1	6.2	182,670	2.2	3.9
1924	3,993,230	40.6	6.1	204,120	2.1	3.8
1925	4,582,281	42.6	6.0	223,452	2.1	4.0
1926	5,283,927	43.5	5.9	253,933	2.1	3.8
1927	5,962,158	43.7	5.8	298,606	2.2	3.1
1928	6,555,276	43.3	5.8	351,878	2.3	3.1
1929	7,091,613	42.8	5.7	400,914	2.4	2.6
1930	7,364,000	41.5	5.7	461,949	2.6	2.9
1931	7,441,593	38.8	5.6	598,702	3.1	2.1
1932	7,145,817	35.8	5.4	841,876	4.2	1.6
1933	6,570,801	32.5	4.4	1,200,506	5.9	1.5
1934	7,414,568	35.1	5.0	1,675,996	7.9	1.1
1935	5,269,126	23.4	4.5	1,909,310	8.4	1.2
1936	4,952,652	20.4	4.6	2,045,936	8.5	1.8

* 000 omitted

OFFICE BUILDING VACANCY IN PRINCIPAL CITIES

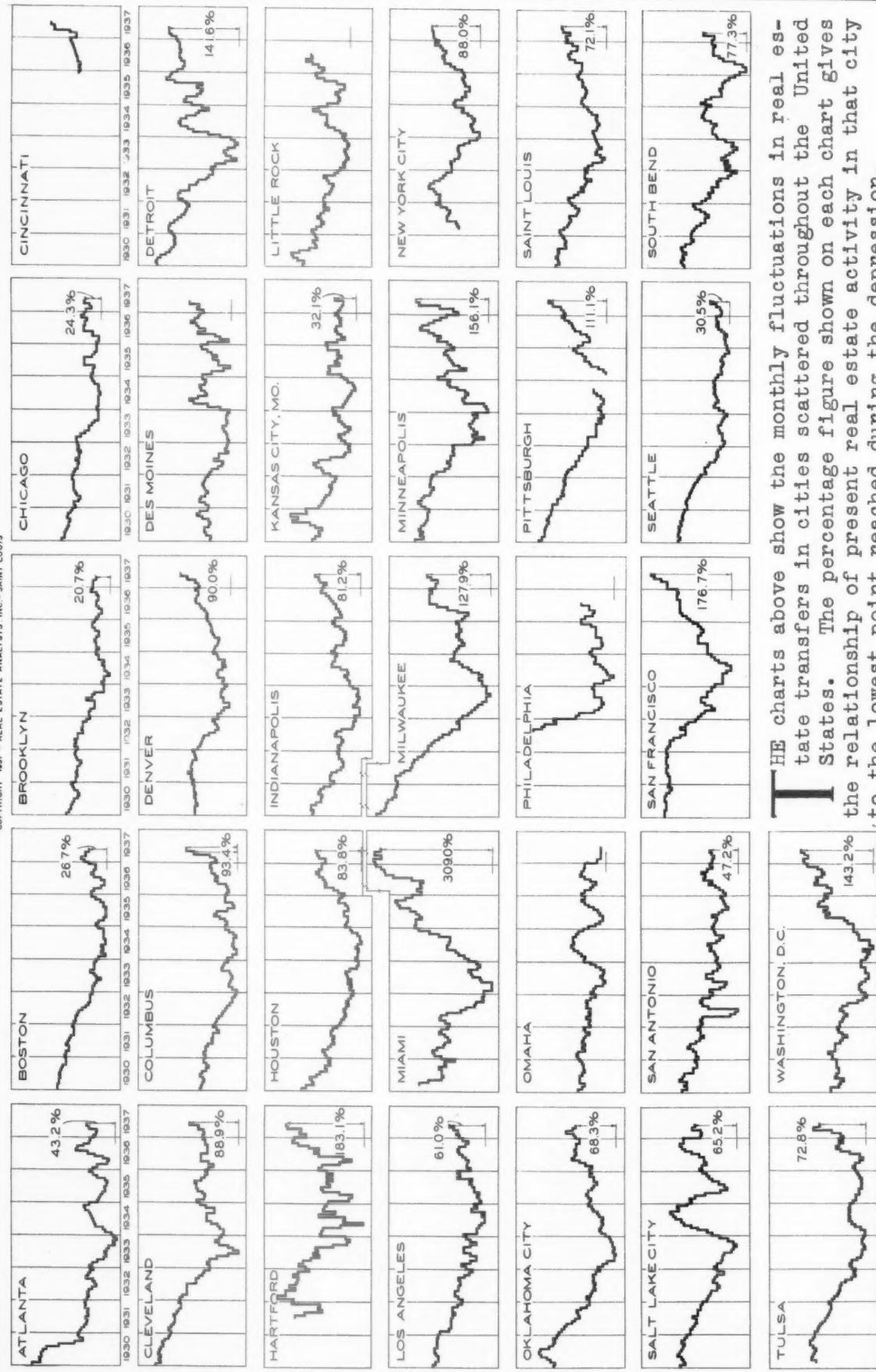
CHARTED BY REAL ESTATE ANALYSTS, INC., SAINT LOUIS, MO., FROM DATA FURNISHED
BY THE NATIONAL ASSOCIATION OF BUILDING OWNERS AND MANAGERS



REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

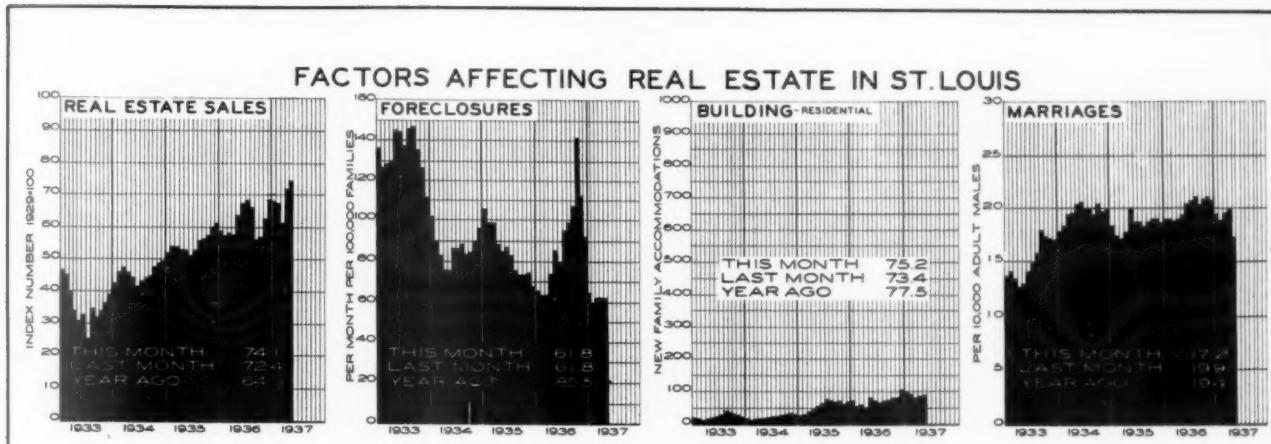
1930-1937

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NOTE: CURRENT FIGURES WERE NOT AVAILABLE FOR THIS ISSUE IN THE CITIES WHERE NO PERCENTAGE FIGURES ARE SHOWN.

THE charts above show the monthly fluctuations in real estate transfers in cities scattered throughout the United States. The percentage figure shown on each chart gives the relationship of present real estate activity in that city to the lowest point reached during the depression.



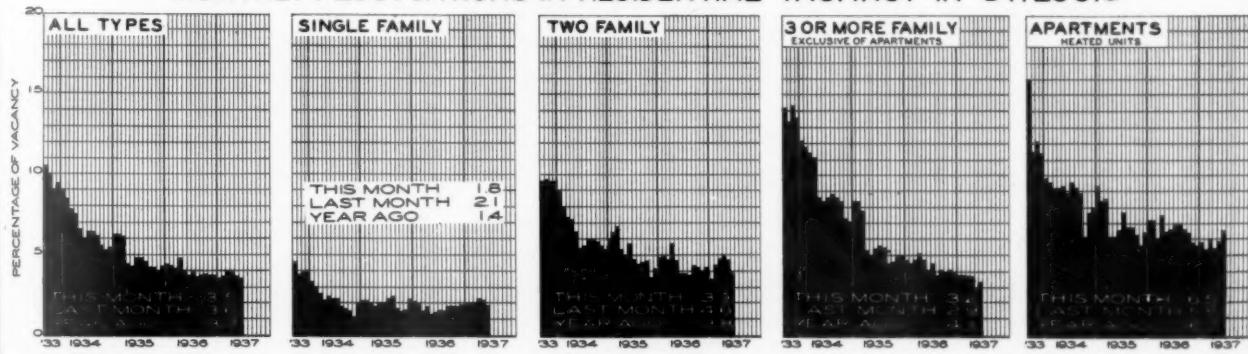
REAL Estate Analysts, Inc., has made an intensive study of Greater Saint Louis on the assumption that an exhaustive study over a long period of all factors affecting real estate in one representative community is often of greater value in determining the sequence of events in collapse and recovery than is a general study of the entire country.

After adjustment for seasonal fluctuations the indexes of the factors affecting real estate in Saint Louis continue favorable for the month of May. Real estate sales again set a recovery high; foreclosures remained stationary; residential vacancies showed a slight decline; and residential construction, in spite of increased construction costs, showed a slight increase. Marriages alone of the four factors given above showed a drop in May, decreasing thirteen and a half per cent from the April figure. While this condition is unusual, it is due probably to the cumulative uncertainty created by the large number of strikes and the general industrial unrest.

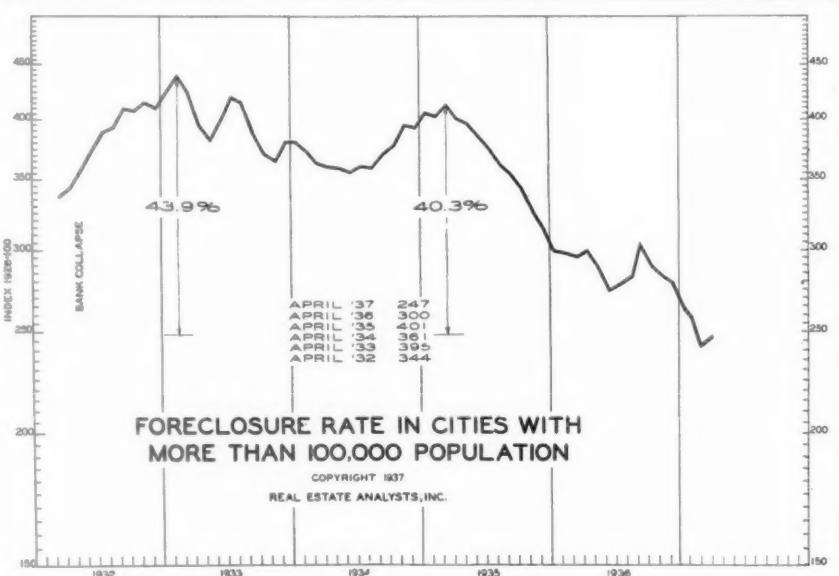
From May 10 to June 14 residential vacancies in Saint Louis showed a slight net absorption for all types of units although heated apartment units continued to show a slight increase. The number of vacant residential units in June of the last four years is shown in the table below in contrast with the number for November, 1932.

Date	Vacancies	Vacancy %
November, 1932	28,207	12.8
June, 1934	13,500	6.0
June, 1935	10,700	4.8
June, 1936	8,250	3.7
June, 1937	7,850	3.5

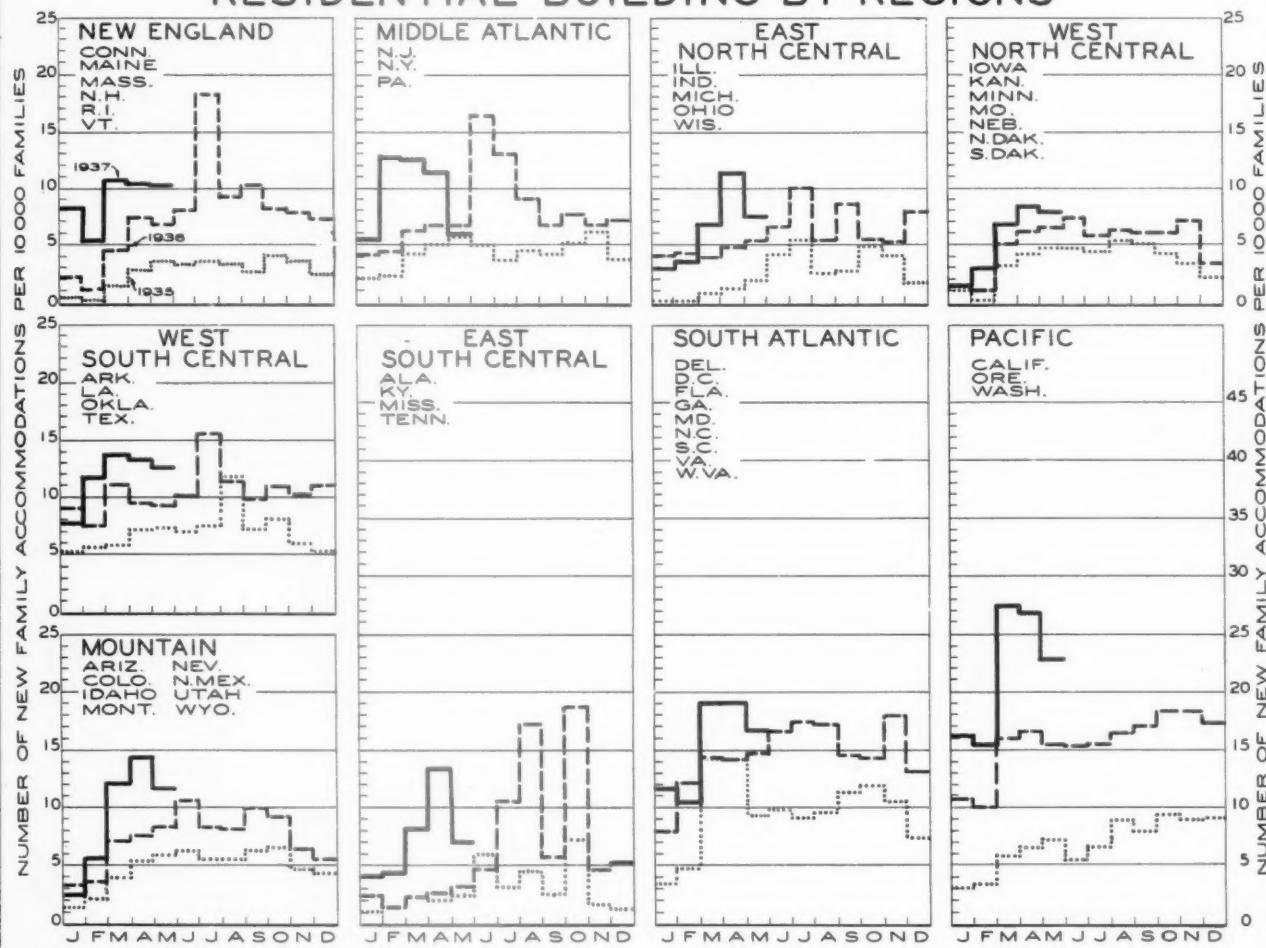
MONTHLY FLUCTUATIONS IN RESIDENTIAL VACANCY IN ST. LOUIS



THE chart to the right shows the monthly fluctuations in the foreclosure rate in cities having more than one hundred thousand population. The last figures available show a very slight increase in foreclosures, but the downward trend of this line has been quite satisfactory during the past two years with foreclosures at present practically 18% below a year ago.



RESIDENTIAL BUILDING BY REGIONS



THE charts above show the number of new family accommodations built each month for the last three years for each 10,000 families in the various regions of the United States. These charts are not corrected for seasonal fluctuation which accounts for the rapid rise of the lines in the spring months. Government building is not excluded.